



# PAPER – 4: BUSINESS ECONOMICS

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## QUESTIONS

1. The indifference curve of two substitute will be:
  - (a) Straight line
  - (b) U- Shaped
  - (c) C Shaped
  - (d) L shaped
2. Which is not the External Causes of business cycle:
  - (a) Post War Reconstruction
  - (b) Technology Shocks
  - (c) Population Growth
  - (d) Money Supply
3. Under which market form, the demand curve is steeper as compared to monopolistic competition?
  - (a) Monopoly
  - (b) Oligopoly
  - (c) Perfect Competition
  - (d) None of these
4. Marginal Product is the slope of:
  - (a) Marginal product Curve
  - (b) Average Product Curve

- (c) Total Product Curve
- (d) Implicit Product Curve
- 5. The opportunity cost of a good is:
  - (a) The loss of interest in using savings
  - (b) The time lost in finding it.
  - (c) The quality of other goods sacrificed to get another unit of that good.
  - (d) None of these
- 6. Under which market form price discrimination cannot persist:
  - (a) Oligopoly
  - (b) Monopolistic Competition
  - (c) Monopoly
  - (d) Perfect competition.
- 7. Certain Benefit an Industry gets when it expands its scale of production is Known as:
  - (a) Internal Economies
  - (b) Diseconomies
  - (c) External economies
  - (d) Profit
- 8. Suppose we are drawing a supply curve of a farmer which of the following will be held constant:
  - (a) Price of Inputs
  - (b) Weather Conditions
  - (c) Technology
  - (d) The price of the Commodity under consideration
- 9. The substitution effect will be stronger when:
  - (a) The goods are closer substitutes

- (b) There is lower cost of switching to the substitute good
  - (c) There is lower inconvenience while switching to the substitute good.
  - (d) All of these
10. Globalization indicate rapid \_\_\_ between countries:
- (a) Competition
  - (b) Investment
  - (c) Integration
  - (d) None of these
11. In order to influence spending on the goods and services in the short run, \_\_\_\_\_ is directed at directly influencing interest rate:
- (a) Fiscal policy
  - (b) Budgetary policy
  - (c) Monetary policy
  - (d) Economic policy
12. The law of consumer surplus is based on:
- (a) Indifference curve analysis
  - (b) Revealed preference theory
  - (c) Law of substitution
  - (d) The law of diminishing marginal utility
13. The four phases of the business cycle are:
- (a) Peak, recession, trough and boom
  - (b) Peak, depression, trough and boom
  - (c) Peak, recession, trough and recovery
  - (d) Peak, depression, bust and boom.
14. Information Technology bubble burst of 2000 is an example of:
- (a) Business Cycle

- (b) Consumer Sovereignty
  - (c) Freedom of choice
  - (d) None of these
15. The difference between gross domestic investment and net domestic investment is equal to:
- (a) Unwanted inventory changes
  - (b) The difference between NDP and national income
  - (c) The difference between GDP and NDP
  - (d) None of the above
16. Assume you deplete your savings to buy a new sofa and some government bonds and then take a vacation in a foreign country. Which of the following is true?
- (a) Consumption will increase
  - (b) Net exports will increase
  - (c) Government purchases will increase
  - (d) Investment will increase
17. What is the similarity between the Subprime Crisis and Greece Crisis?
- (a) High Financial Leverage
  - (b) Low-Interest Rate
  - (c) Credit Expansion
  - (d) All of the above
18. Among the following canons of taxation which one has been given by Adam Smith?
- (a) Canon of Uniformity
  - (b) Canon of productivity
  - (c) Canon of diversity
  - (d) Canon of equity

19. The substitution effect works to encourage a consumer to purchase more of a product when the price of that product is falling because:
  - (a) The consumer's real income has increased.
  - (b) The consumer's real income has decreased.
  - (c) The product is now relatively less expensive than before.
  - (d) Other products are now less expensive than before.
20. If the market demand curve for a commodity has a negative slope, then the market structure must be:
  - (a) Perfect competition
  - (b) Monopoly
  - (c) Imperfect competition
  - (d) The market structure cannot be determined as the information is insufficient
21. In economics, generally the classification of the markets is made on the basis of:
  - (a) Time
  - (b) Geographic area
  - (c) Volume of business
  - (d) All of these
22. Which characteristic of money refers to its ability to hold value over time?
  - (a) Divisibility
  - (b) Durability
  - (c) Portability
  - (d) Store of value
23. Which of the following is included in M2, a broader measure of money supply compared to M1?
  - (a) Currency in circulation

- (b) Savings deposits
  - (c) Demand deposits
  - (d) Traveler's checks
24. What is the primary purpose of an import quota?
- (a) To encourage domestic production.
  - (b) To reduce government spending.
  - (c) To limit the quantity of imports.
  - (d) To increase the trade deficit.
25. Which exchange rate regime is adopted by highest no of IMF members
- (a) Hard Peg
  - (b) Floting
  - (c) Free Floating
  - (d) Soft Peg



**SUGGESTED ANSWERS/HINTS**

1.	(a)	2.	(d)	3.	(a)	4.	(c)	5.	(c)
6.	(d)	7.	(a)	8.	(d)	9.	(d)	10.	(c)
11.	(c)	12.	(d)	13.	(c)	14.	(a)	15.	(c)
16.	(a)	17.	(d)	18.	(d)	19.	(c)	20.	(d)
21.	(d)	22.	(d)	23.	(b)	24.	(c)	25.	(d)